



# NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

## NTIA Needs Stronger Monitoring of BTOP Grant Recipients' Match

FINAL REPORT NO. OIG-12-029-A  
JUNE 18, 2012

U.S. Department of Commerce  
Office of Inspector General  
Office of Audit and Evaluation

**FOR PUBLIC RELEASE**

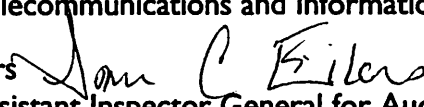




**UNITED STATES DEPARTMENT OF COMMERCE**  
**Office of Inspector General**  
Washington, D.C. 20230

June 18, 2012

**MEMORANDUM FOR:** Lawrence E. Strickling  
Assistant Secretary for Communications and Information  
National Telecommunications and Information Administration

**FROM:** Ann C. Eilers   
Principal Assistant Inspector General for Audit and Evaluation

**SUBJECT:** *NTIA Needs Stronger Monitoring of BTOP Grant  
Recipients' Match*  
Final Report No. OIG-12-029-A

We are providing our final audit report on the effectiveness of NTIA monitoring of the Broadband Technology Opportunities Program (BTOP) grant recipients' match. The objectives of our audit were to (1) determine whether NTIA has processes in place to ensure BTOP matching share contributed by grantees meets the terms and conditions of the award; (2) assess how NTIA monitors the grantees' match throughout the grant award period; and (3) review how NTIA and grants officers address grantees' postaward requests for changes in type of match (e.g., cash, equipment, or in-kind contributions) and changes in subrecipients or other partners that agreed during the application process to provide matching share.

Our report recommends steps to improve NTIA's existing oversight of grantee match. Specifically, we recommend that NTIA strengthen monitoring of Public Computing Centers and Sustainable Broadband Adoption grant match, bolster recipient controls for cash drawdowns, continue to improve proper recording of grant recipient match, and strengthen proportional spending of grant match contributions.

Your June 6 response to our draft report states that NTIA is taking appropriate action to address recommendations and summarizes the steps NTIA plans to take. Where appropriate, we have modified the final report based on this response and subsequent discussions with NTIA officials. The formal NTIA response is included as an appendix. The final report will be posted on the OIG's website pursuant to section 8L of the Inspector General Act of 1978 as amended.

In accordance with the Department Administrative Order 213-5, within 60 days of the date of this memorandum, please provide us with an action plan that responds to all of the report recommendations.

We would like to express our thanks to your staff for the courtesies shown to us during our review. Please direct any inquiries regarding this report to Chris Rose, Senior Auditor, Recovery Act Task Force, at (202) 482-5558, and refer to the report title in all correspondence.

Attachment

cc: Ellen Herbst, Senior Advisor to the Deputy Secretary  
Angela Simpson, Acting Chief of Staff and Senior Advisor on Broadband, NTIA  
Anthony Wilhelm, Deputy Associate Administrator,  
Office of Telecommunications and Information Applications, NTIA  
Kathy Smith, Chief Counsel, NTIA  
Aimee Meacham, Director of BTOP Program Services, NTIA  
Milton Brown, Audit Liaison, NTIA



# Report In Brief

JUNE 18, 2012

## Background

From the time the President signed the American Recovery and Reinvestment Act of 2009 into law, OIG has provided oversight of NTIA's administration of the \$4.4 billion Broadband Technology Opportunities Program (BTOP). The Recovery Act requires BTOP grantees to provide at least a 20 percent nonfederal matching share.

On September 27, 2010, NTIA awarded 233 BTOP grants, including Comprehensive Community Infrastructure (CII), Public Computing Centers (PCC), and Sustainable Broadband Adoption (SBA) grants. By March 31, 2012, the number of BTOP grants had decreased to 228 due to grant cancelations and terminations.

## Why We Did This Review

Our audit objectives were to

1. Determine whether NTIA has processes in place to ensure that the matching share contributed by BTOP grantees meets the terms and conditions of the award.
2. Assess how NTIA monitors the grant recipients' match throughout the grant award period.
3. Review how NTIA and grants officers address recipients' postaward requests for changes in type of match (cash, equipment, or in-kind contributions) and changes in subrecipients or other partners that agreed during the application process to provide matching share.

## NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

### NTIA Needs Stronger Monitoring of BTOP Grant Recipients' Match

OIG-12-029-A

#### WHAT WE FOUND

To oversee grant recipients' match throughout the award, including postaward, NTIA monitors cash drawdowns, reviews grantees' quarterly financial reports for matching share, and documents proportionality waivers. In December 2010, NTIA developed a match matrix to review grant match. NTIA's reviews of CCI grants included an in-depth review of all proposed budgeted match line items. However, for the SBA and PCC grants, NTIA's match matrix did not provide sufficient information to determine if NTIA's review was thorough and effective. We also found two internal control vulnerabilities with respect to access to the Treasury Automated Standard Application for Payment (ASAP) system to make cash drawdowns. In addition, 32 percent of our sample of grantees did not record all of their match amounts in their financial records. Finally, a significant number of grant recipients were not in compliance with the proportionality clauses of their grants.

#### WHAT WE RECOMMEND

We recommend that the Assistant Secretary for Communications and Information:

1. Develop and implement improved processes for reviewing PCC and SBA grant match amounts.
2. Formally communicate the risk associated with third-party cash drawdowns to all grant recipients and stress the importance of increased monitoring on their behalf when allowing third parties to draw down grant funds from the Treasury ASAP system.
3. Implement program office controls to closely monitor ASAP drawdowns on a timely basis, especially those grant recipients that have delegated ASAP system access to third parties.
4. Communicate to recipients that match expenditures must be supported and correctly reflected in their financial records.
5. Work with NIST and NOAA grants officers to provide NTIA with the BTOP grantees' quarterly financial status reports and monitor the contribution trends and proportionality waiver activity to ensure grantees are providing their required match.

# Contents

Introduction ..... 1

Findings and Recommendations ..... 5

    I. NTIA Needs to Thoroughly Review PCC and SBA Grant Match Amounts to Ensure Their Accuracy and Availability ..... 6

        Recommendation..... 8

    II. NTIA Needs to Ensure That Grantees Have Strong Monitoring Controls for Cash Drawdowns from the Treasury ASAP System and That the NTIA Program Office Effectively Monitors These Drawdowns ..... 8

        Recommendations ..... 10

    III. NTIA Needs to Ensure That BTOP Grantees Record Their Grant Match in Their Financial Records..... 10

        Recommendation..... 12

    IV. NTIA Needs to Ensure That Match Contributions Are Proportionate to Grant-Funded Expenditures..... 12

        Recommendation..... 13

    Other Issues ..... 13

Summary of Agency Response and OIG Comments..... 15

Appendix A: Objectives, Scope, and Methodology ..... 16

Appendix B: OIG Sample Methodology..... 19

Appendix C: NTIA’s Criteria, Data, and Report Review of BTOP Grant Match..... 21

Appendix D: Agency Response ..... 22

*COVER: Detail of fisheries pediment,  
U.S. Department of Commerce headquarters,  
by sculptor James Earle Fraser, 1934*

## Introduction

From the time the President signed the American Recovery and Reinvestment Act of 2009<sup>1</sup> into law, the Department of Commerce Office of Inspector General (OIG) has provided oversight of NTIA's administration of the \$4.4 billion<sup>2</sup> Broadband Technology Opportunities Program (BTOP). In his February 2011 testimony on broadband spending before the House Committee on Energy and Commerce, Subcommittee on Communications and Technology,<sup>3</sup> the Inspector General focused on the need for effective award monitoring and oversight, including concerns with recipient matching funds, especially the existence and availability of match. The Recovery Act requires BTOP grantees to provide a 20 percent nonfederal matching share. However, in its second Notice of Availability of Funds issued on January 22, 2010, NTIA announced that it was providing additional consideration for applicants proposing a nonfederal match of 30 percent or more during the competitive award selection process.<sup>4</sup> As underscored by this statutory requirement for a minimum match and this extra consideration offered by NTIA to applicants who provide additional match, the grantees' match is essential to the financial success of the proposed broadband projects.

Table I contains a summary of the 228 current BTOP grants, including Comprehensive Community Infrastructure (CCI), Public Computing Centers (PCC), and Sustainable Broadband Adoption (SBA) grants, and their proposed nonfederal match as of December 31, 2011.<sup>5</sup> As shown in table 2, two BTOP awards had grants issued with a hardship waiver for less than the 20 percent required nonfederal match. The Recovery Act provides the Assistant Secretary authority to waive the 20 percent match requirement based on financial need if the applicant petitions for a waiver. As shown in table 3, three BTOP grantees had their nonfederal match reduced after the grant awards were made.

---

<sup>1</sup> Pub. L. No. 111-5.

<sup>2</sup> The Recovery Act established BTOP with \$4.7 billion, including administration and oversight expenses. A \$302 million rescission occurred in August 2010 pursuant to Pub. L. No. 111-226, reducing the total funding. In all, BTOP initially awarded \$3.9 billion in grants; however, five grants with awards totaling \$120 million were canceled/terminated, and two grants were reduced by \$6 million in total. The remaining funding went to develop and update the publicly searchable National Broadband Map, administrative expenses, and transfers to the OIG for oversight and the Federal Communications Commission for the development of a national broadband plan.

<sup>3</sup> U.S. Department of Commerce, Office of Inspector General, February 10, 2010. *Inspector General's Testimony on Recovery Act Broadband Spending: House Committee on Energy and Commerce*. Washington, D.C.: Department of Commerce OIG.

<sup>4</sup> U.S. Department of Commerce, National Telecommunications and Information Administration, *Broadband Technology Opportunities Program*. 75 Fed. Reg. 3799-3800 (Jan. 22, 2010).

<sup>5</sup> On September 27, 2010, NTIA concluded the BTOP award process with 233 grants. By March 31, 2012, the number of BTOP grants had decreased to 228 due to grant cancellations and terminations.

**Table 1. BTOP Federal Grant Awards and Matching Funds**

Project Type	No. of Awards/ Average Grant Match Percent	Federal Funds	Percent of Federal Funds	Recipient Match	Total Cost
Comprehensive Community Infrastructure	120 26.3%	\$3,358,774,652	88%	\$1,198,699,569	\$4,557,474,221
Public Computing Centers	65 29.9%	199,244,164	5%	85,023,612	284,267,776
Sustainable Broadband Adoption	43 29.9%	249,525,540	7%	106,642,208	356,167,748
<b>Total</b>	<b>228</b>	<b>\$3,807,544,356</b>	<b>100%</b>	<b>\$1,390,365,389</b>	<b>\$5,197,909,745</b>

Source: OIG based on NTIA data

**Table 2. BTOP Federal Grant Awards with Less Than 20 Percent Matching Funds**

Award Grantee	Total Grant Amount	Federal Funds	Nonfederal Match	Match Percent	20 Percent Match	Match Difference
Board of Regents State of Louisiana <sup>a</sup>	\$95,016,532	\$80,596,415	\$14,420,117	15.2%	\$20,149,104	\$5,728,987
Executive Office State of Mississippi	83,987,788	70,055,000	13,932,788	16.6%	17,513,750	3,580,962
<b>Total</b>						<b>\$9,309,949</b>

Source: OIG based on NTIA data

<sup>a</sup>Terminated October 26, 2011.

**Table 3. BTOP Federal Grant Awards with Matching Funds Reduced After the Grant Award**

Award Grantee	Federal Funds	Nonfederal Match	Match Percent	Revised Nonfederal Match	Revised Match Percent	Change in Match
Communication Services for the Deaf, Inc.	\$14,988,657	\$5,229,846	25.9%	\$4,571,139	23.4%	\$ 658,707
Adams County Communications Center	12,137,422	5,891,647	32.7%	4,541,340	27.2%	1,350,307
MCNC	28,225,518	11,760,038	29.4%	10,286,573	26.7%	1,473,465
<b>Total</b>						<b>\$3,482,479</b>

Source: OIG based on NTIA data

NTIA faces the following challenges in ensuring that the nonfederal match needed to complete BTOP projects exists and is available in a timely manner:

- BTOP award recipients include public entities, for-profits, nonprofits, and tribal entities; this is the first time that NTIA has made awards to for-profit entities, which represent almost 24 percent of the number of awards. Eligible costs, including each recipient's nonfederal match, are established by federal cost principles, which each grantee uses to prepare a budget to complete the approved project. Without the required nonfederal match, project completion can be jeopardized.
- BTOP grantees use the Treasury Automated Standard Application for Payment (ASAP) system to request online cash transfers to their bank account to pay project costs. Once the recipients meet the environmental assessment special award conditions, they can draw down up to the full amount of the grant in anticipation of expenses to be incurred within 30 days. NTIA will need to closely monitor recipients' drawdown of funds to ensure that it is in accordance with their spending rate as directed by the grant agreement.
- BTOP grantees file quarterly financial status reports of their grant-funded and nonfederal match expenses. NTIA monitors grantee match through the National Institute of Standards and Technology (NIST) and National Oceanic and Atmospheric Administration (NOAA) grants offices, using a proportionality waiver for grantees that do not contribute their proposed match at the same general rate as their grant-funded expenses. Unless total match and the budget line items for match are monitored, NTIA has no assurance that recipients are providing the grant-required match and that the recipients' match meets the BTOP program requirements.
- BTOP state and local governments and nonprofit recipients *expending* \$500,000 or more in a year in federal awards are required to have annual single audits, and for-profit entities *receiving* more than \$100,000 annually are required to have a financial audit after their first and third year. These audits require auditors to report on grant expenditures and to test for 14 major compliance requirements, including match expenditures. Unless match is tested as part of a single audit or BTOP program-specific audit, NTIA has no assurance that the match meets federal cost principles of being reasonable, allowable, and allocable.

From the outset of the program, OIG has stressed the importance of match documentation and oversight in training sessions and presentations to BTOP staff, applicants, and grantees, as well as in OIG Congressional testimony.

The objectives of our audit were to

1. determine whether NTIA has processes in place to ensure that the BTOP matching share contributed by grantees meets the terms and conditions of the award,
2. assess how NTIA monitors the grantees' match throughout the grant award period, and



3. review how NTIA and grants officers address recipients' postaward requests for changes in type of match (e.g., cash, equipment, or in-kind contributions) and changes in subrecipients or other partners that agreed during the application process to provide matching share.

To ensure that NTIA processes were in place and effective, we selected a random sample of 25 BTOP grant recipients to review from the 228 grant recipients.<sup>6</sup> Our sample included CCI, PCC, and SBA grant recipients to reflect the composition of the BTOP grants. See appendix A for a detailed summary of our audit objectives, scope, and methodology; appendix B for our sample methodology; and appendix C for NTIA's criteria, data, and report review of BTOP grant match.

---

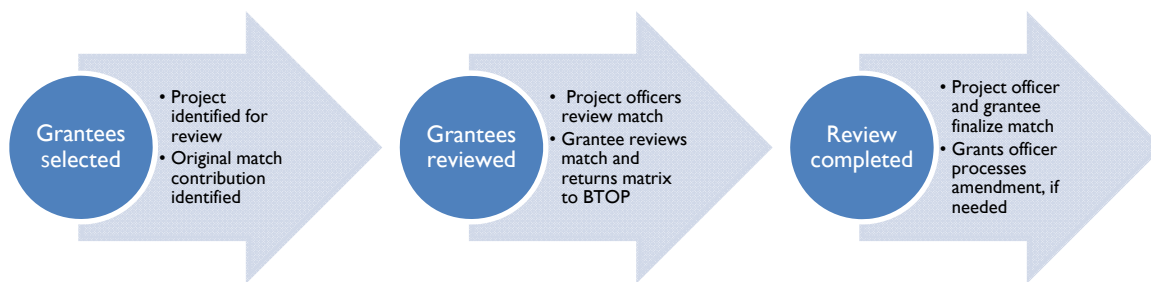
<sup>6</sup> At the time of sample selection, 229 BTOP grants were active; however, 1 grant award has since been terminated.

## Findings and Recommendations

NTIA has a process in place to monitor grant recipients' match throughout the award, including the postaward period, by taking steps to develop a match review process, monitor cash drawdowns, review grantees' quarterly financial reports for matching share, and document proportionality waivers. Proportionality waivers temporarily waive the requirement that the grantee spend the nonfederal share at the same general rate as grant funds, for grantees behind on their quarterly match proportionality rate.

In December 2010, NTIA developed a match matrix to review grant recipients' proposed match. During this review, NTIA analyzes the recipients' match sources listed in their approved budget to determine if the proposed match is allowable. NTIA then sends the resulting matrix to the grant recipient for validation and clarification where needed. Figure 1 illustrates NTIA's complete review process.

Figure 1. NTIA BTOP Match Matrix Review Process



Source: OIG based on NTIA data

Note: NTIA's review of grant recipient match does not include requesting or reviewing supporting documentation to verify the proposed match line items.

NTIA's match matrix review process allows recipients to understand the grant conditions more clearly and promptly identifies potential issues regarding match contributions. Despite these measures, our review found grant match problems that require stronger monitoring and corrective action by NTIA, including:

- thoroughly reviewing grant match budgets for PCC and SBA grants (i.e., completing budget analysis by line item and expanding program match review processes to a larger percentage of the PCC and SBA grant recipients),
- ensuring that grantees have strong monitoring controls for cash drawdowns from the Treasury ASAP system and that the NTIA Program Office effectively monitors these drawdowns,
- ensuring that grantees record their grant match in their financial records, and

- ensuring that grant match contributions are proportionate to grant-funded expenditures.

## I. NTIA Needs to Thoroughly Review PCC and SBA Grant Match Amounts to Ensure Their Accuracy and Availability

NTIA initially selected nine grant recipients for its postaward match review. By reviewing budgeted match by line items for these CCI recipients, NTIA was able to refine its match review process and recognize the benefits of this process. According to Department of Commerce standard terms and conditions, the nonfederal share, whether in cash or in-kind, is expected to be paid out at the same general rate as the federal share,<sup>7</sup> thus assuring the availability of match during the grant period. By December 2011, NTIA had expanded its match review to 160 of 228 grantees, as shown in table 4, including all CCI grantees. Any PCC and SBA grantees that were first-time grantees with more than \$5 million in match were also selected for match review.

**Table 4. Number of Grantees Reviewed by NTIA and by OIG<sup>a</sup>**

Project Type	BTOP Grantees	NTIA Match Review	OIG Sample of BTOP Grantees
Comprehensive Community Infrastructure	120	120	13
Public Computing Centers	65	22	7
Sustainable Broadband Adoption	43	18	5
Total	228	160	25

Source: OIG sample and NTIA data

<sup>a</sup>See footnote 5.

We reviewed NTIA's results for the 25 grants in our sample. NTIA's match reviews of CCI grants included an in-depth review of all proposed budgeted match line items to ensure that match sources were in place and well documented, as described in figure 1. Of the 13 CCI grant recipients that we reviewed, 7 had shifts in match budget line items, totaling more than \$2 million, but none of these shifts, resulting from the BTOP match review process, changed the recipients' total proposed nonfederal match. For example, one grantee determined that equipment contributed as match had been incorrectly valued at \$1.6 million when it should have been valued at \$1.3 million. This caused a shortage in match, and therefore, the grantee revised its budget to include additional cash contributions to meet match requirements. Another grantee revised its match budget to increase the cash match by close to \$800,000 instead of providing in-kind equipment contributions as originally proposed by the grantee.

For the SBA and PCC grants that we reviewed, NTIA's match matrix did not provide sufficient information to determine if NTIA's review was thorough and effective. The match matrices for

<sup>7</sup> U.S. Department of Commerce, March 2008. *Financial Assistance Standard Terms and Conditions*. Washington, D.C.: Department of Commerce, 3.

these grants did not provide budget line item detail, as the CCI matrices we reviewed did. For example, NTIA completed a match review matrix for an SBA grant recipient that stated that the information provided in the recipient's quarterly performance report as of September 30, 2011, matched the recipient's detailed budget; no other information or detail was provided regarding future match contributions or changes in match. The SBA grant recipient's response to our request for information on proposed match was that its matching share is evolving as the project progresses and funding from other grants becomes available. Because of the recipient's uncertain response, we do not have assurance that it will meet match requirements. Additionally, we are not confident that NTIA is able to identify potential match issues for these categories of awards with their current PCC/SBA match review process. Without a more thorough NTIA match review, we did not have enough evidence to determine how NTIA could identify issues with proposed match for other PCC and SBA grants.

BTOP grantees, governments, nonprofits, tribal entities, and colleges and universities are required by OMB Circular A-133 to have an annual audit performed by an independent audit firm.<sup>8</sup> However, based on the independent auditors' reports that we reviewed for these recipients, 33 PCC and 11 SBA grants might not have had their match tested because the grantees' expenditures fell below the dollar thresholds that would result in a more detailed review by the independent auditors. Without a thorough review from NTIA or the independent auditors, the risk of fraud, waste, and abuse increases and may go undetected.

The match matrix process has been demonstrated to be an effective tool when used properly, as with CCI grants, and is a potential best practice to assure that grantees have timely match available and have accurately calculated the match value to assure that BTOP projects can be completed within the 3-year grant period. Expanding the match review process to a larger percentage of the PCC and SBA grants and including a review at the budgeted line item level would compensate for the gaps in single-audit coverage and provide added assurance that grantees have complete and accurate match for the total \$1.4 billion match required from all 228 grantees.

NTIA officials told us that they are in the process of determining the level of BTOP project monitoring, including review of grant match, that can be sustained after NTIA's program support contract completes its initial term in March 2012. A renewal of the support contract is anticipated at reduced funding from present levels and with a reduced level of support staff, requiring NTIA to prioritize the most critical risks to the BTOP program. Despite funding limitations, grant match is important for the success of the projects, and NTIA should look for opportunities to strengthen grant match monitoring and reduce the potential for questioned cost at the end of BTOP grant awards.

---

<sup>8</sup> An audit completed by an independent auditor is commonly referred to as a single audit. During the single audit, the independent auditor sets dollar limits to determine which items will be reviewed.

## Recommendation

We recommend that the Assistant Secretary for Communications and Information:

- I. Develop and implement improved processes for reviewing PCC and SBA grant match amounts (for example, completing budget line item detail analysis on PCC and SBA grants and expanding NTIA's match review process to a larger percentage of PCC and SBA grant recipients).

## II. NTIA Needs to Ensure That Grantees Have Strong Monitoring Controls for Cash Drawdowns from the Treasury ASAP System and That the NTIA Program Office Effectively Monitors These Drawdowns

We found two internal control vulnerabilities with respect to NTIA's safeguarding of assets in the Treasury ASAP system: (1) contractors can draw down funds, and (2) grantees can draw down funds that exceed their expenditures. The Government Accountability Office has issued *Standards for Internal Control in the Federal Government*,<sup>9</sup> which provides an overall framework for establishing and maintaining internal control, including the need to secure and safeguard vulnerable assets. This vulnerability to risk of loss or unauthorized use may not be fully appreciated by first-time BTOP grantees. Moreover, unlike grant recipients, contractors and other parties are not required to comply with the award conditions and, therefore, need additional monitoring by the grant recipient when they are allowed to draw down grant funds.

For example, 2 grant recipients of the 25 in our sample permitted their project partners (contractor in the case of 1 grantee) to draw down federal grant funds from the Treasury ASAP system for more than a year, totaling \$9.3 million (see table 5). BTOP monthly status meetings and reports include presentations on grant recipient cash drawdowns that exceed \$1 million; however, neither the monthly status meetings nor other reports identify the entity making the ASAP draws.

Table 5. Treasury Cash Drawdowns Made by Entities Other Than Grantee

BTOP Grantee (OIG Sample)	Total Drawdowns, Sept. 30, 2011	No. of Drawdowns	Duration of Drawdowns
CCI Grantee I0	\$7,286,396	26	14 months
CCI Grantee I3	2,085,824	14	16 months
Total	\$9,372,220	40	

Source: OIG sample based on NTIA data

We notified NTIA of this additional risk factor and of the importance of closely monitoring the 2 grantees in question and determining if this risk factor was present in the remaining 203 grant recipients not in our sample. NTIA reported that it has addressed this weakness with both

<sup>9</sup> U.S. General Accounting Office, November 1999. *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1. Washington, D.C.: GAO.

grantees and, at our request, initiated a review of all other BTOP grantee access to the Treasury ASAP system and has communicated the risks and the need for additional monitoring.

As an example of how this internal control vulnerability can affect a program grant, for one grant, that has since been terminated, in a different NTIA grant program, the grantee gave a consultant access to the Treasury ASAP system, and the consultant drew down almost \$322,362 for personal use rather than for equipment for the project. OIG investigators were able to recover about \$131,965, and the consultant has been indicted. Although this case did not involve a BTOP grantee, this same risk of weak internal controls over cash could be present in BTOP grants.

Department of Commerce standard terms and conditions permit drawdowns for expenses anticipated within 30 days.<sup>10</sup> NTIA's review of ASAP on a weekly and monthly basis highlights individual grantee drawdowns exceeding \$1 million, large-percentage drawdowns, and grantees nearing substantial completion, which provides assurance that drawdowns are being monitored. While NTIA regularly monitors grantees' Treasury ASAP system cash drawdowns, our review of the September 30, 2011, comparison of expenditures with cash drawdowns noted that 17 percent of BTOP grantees (40 of 229) had collectively drawn down more than \$17 million of federal funds in excess of their expenditures. Additionally, drawdowns for 5 grantees exceeded \$1 million. As tables 6 and 7 show, we noted improvements in our March 31, 2012, comparison of drawdowns and grantee reported expenditures. However, the drawdowns must be continuously monitored, so that they remain in line with expenditures.

**Table 6. Comparison of BTOP Grantee Expenditures with Cash Drawdowns**

Range of Drawdowns Exceeding Expenditures	Total Drawdowns Exceeding Expenditures as of September 30, 2011		Total Drawdowns Exceeding Expenditures as of March 31, 2012	
	Drawdowns	Number of Grantees	Drawdowns	Number of Grantees
\$1 million+	\$12,563,200	5		0
\$500,001 to \$1 million	1,316,022	2	\$1,751,361	2
\$100,001 to \$500,000	2,935,909	13	645,575	4
\$10,001 to \$100,000	450,495	10	191,583	6
\$.01 to \$10,000	9,496	10	19,714	14
Expenditures exceed drawdowns	0	189	0	202
	\$17,275,122	229	\$2,608,233	228

Source: OIG sample based on recovery.gov and NTIA data

<sup>10</sup> U.S. Department of Commerce, March 2008. *Financial Assistance Standard Terms and Conditions*. Washington, D.C.: Department of Commerce, 2.

**Table 7. BTOP Grantees with the Five Largest Total Cash Drawdowns in Excess of Expenditures**

September 30, 2011		March 31, 2012	
	Drawdown Exceeding Expenditures		Drawdown Exceeding Expenditures
Grantee	\$ 4,025,511	Grantee	\$ 986,460
Grantee	3,704,375	Grantee	764,901
Grantee	2,623,618	Grantee	223,860
Grantee	1,168,926	Grantee	170,815
Grantee	1,040,771	Grantee	141,404
Total	\$12,563,201	Total	\$2,287,440

Source: OIG sample based on recovery.gov and NTIA data

Note: Grantees are arranged by amount of expenditure (highest to lowest for top five) but are not the same across periods.

For prior quarters, we requested additional information from NTIA to verify that the recipients expended the advances within the 30 days allowed. NTIA found that those recipients either returned the excess timely, reported incorrectly and made subsequent corrections to their reporting, or were instructed by the grants office to retain the excess.

## Recommendations

We recommend that the Assistant Secretary for Communications and Information:

1. Formally communicate the risk associated with third-party cash drawdowns to all grant recipients and stress the importance of increased monitoring on their behalf when allowing third parties to draw down grant funds from the Treasury ASAP system.
2. Implement program office controls to closely monitor ASAP drawdowns on a timely basis, especially those grant recipients that have delegated ASAP system access to third parties.

### III. NTIA Needs to Ensure That BTOP Grantees Record Their Grant Match in Their Financial Records

*Federal Cost Principles*<sup>11</sup> and *Uniform Administrative Requirements for Grants*<sup>12</sup> require recipient match to be recorded in the recipient's financial records regardless of its source. Also, NTIA issued supplemental guidance, the *Recipient and Third-Party In-kind Contributions Fact Sheet*, in February 2011 to grantees requiring that cost sharing or match be verifiable from the grantee's

<sup>11</sup> 2 C.F.R. parts 220, 225, 230; 48 C.F.R. part 31.

<sup>12</sup> 15 C.F.R. parts 14, 24.

records.<sup>13</sup> However, we found that 8 (32 percent) of the 25 grant recipients in our sample tracked match contributions using offline software (spreadsheets) but did not record more than \$3.2 million of in-kind and subrecipient match in their financial records (see table 8). Recipients need to record all costs in their financial records, to document grant match and to ensure that all costs are subject to annual audit. For instance, if a recipient claims donated equipment as match, it must be recorded in the recipient's financial records to ensure that it is not being claimed as match for other federal awards and that the value of the equipment can be assessed during an annual audit.

NTIA monitoring efforts currently include grant recipient site visits and, as noted previously, match must be included in the recipient's accounting records. The site visits include a general review of proposed match; however, NTIA does not verify that match expenditures are appropriately recorded and supported. In response to our report dated November 2011, *NTIA Has an Established Foundation to Oversee BTOP Awards, But Better Execution of Monitoring Is Needed*, NTIA agreed to revise their site visit processes to include the request for supporting match valuation documentation as well as seeking additional match information when match concerns are identified. We estimate, based on the \$102 million in our proportion-to-population sample, that the undocumented match for the remaining 204 BTOP grants could range from \$88 million to \$329 million. As such, NTIA should continue to emphasize the need for match to be recorded in recipient records.

**Table 8. Grantees with Unrecorded Match**

BTOP Grantee (OIG Sample)	Award Type	Match Reported, Sept. 30, 2011	Unrecorded Match Amount	Percent Unrecorded
CCI Grantee 6	CCI	\$1,764,331	\$1,653,932	93.7%
SBA Grantee 4	SBA	528,918	528,918	100.0%
PCC Grantee 1	PCC	358,425	358,148	99.9%
SBA Grantee 2	SBA	319,119	319,119	100.0%
PCC Grantee 5	PCC	206,926	206,926	100.0%
PCC Grantee 6	PCC	72,251	72,251	100.0%
SBA Grantee 3	SBA	97,359	85,903	88.2%
PCC Grantee 4	PCC	328,278	15,405	4.7%
Total		\$3,675,608	\$3,240,602	

Source: OIG sample based on NTIA data

In a previous report,<sup>14</sup> we found that some grantees submitted erroneous financial reports and that federal program officers (FPOs) needed to verify match to source documents. We

<sup>13</sup> U.S. Department of Commerce, National Telecommunications and Information Administration, December 2011. *Fact Sheet: Broadband Technology Opportunities Program Recipient and Third Party In-kind Contributions*, Version 4. Washington, D.C.: Department of Commerce, 1.

<sup>14</sup> U.S. Department of Commerce Office of Inspector General, November 2011. *NTIA Has an Established Foundation to Oversee BTOP Awards, But Better Execution of Monitoring Is Needed*, OIG-12-013-A. Washington, D.C.: Department of Commerce OIG.



concluded that more than 40 PPC and SBA awards were not likely to have their BTOP grants included in independent audits because BTOP funds were a very small part of the grantees' federal funds spent. To enable NTIA to prepare guidance for FPOs to use in their review of recipient match during their site visit process, we reported these issues as finding III in our previous report. The NTIA audit action plan for that report agreed to revise site visit documentation to include match valuation and to seek additional match information for specific cases, as needed.

## Recommendation

We recommend that the Assistant Secretary for Communications and Information:

- I. Communicate to BTOP grant recipients that match expenditures must be supported and correctly reflected in each grantee's financial records. This can be communicated through BTOP webinars or grantee workshops and by responding to questions about match in quarterly financial reports. In addition, BTOP federal project officers can verify that documentation to support match exists during any scheduled site visits.

## IV. NTIA Needs to Ensure That Match Contributions Are Proportionate to Grant-Funded Expenditures

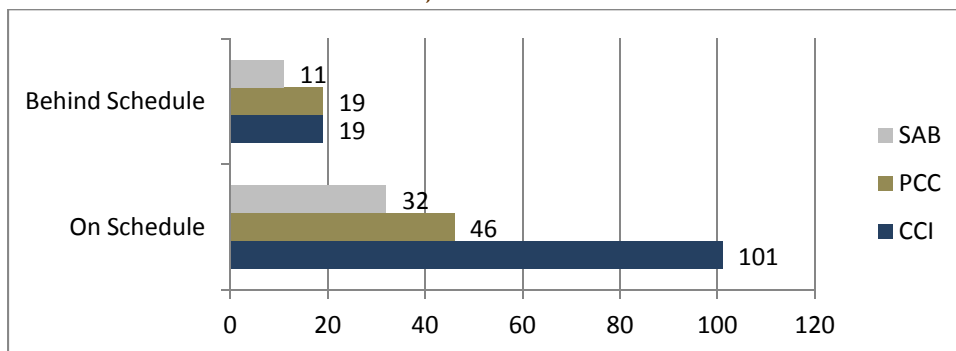
The Department of Commerce has had a long-standing requirement for programs to ensure that grantees are contributing their nonfederal match in proportion to the federal share.<sup>15</sup> Although NTIA monitors match contributions, there continues to be a risk that BTOP grantees may not provide their proposed match to complete projects on time.

For the reporting period that ended December 31, 2011, 49 (21 percent) of the 228 BTOP grant recipients did not meet their recipient match requirement by 2 percent or more (see figure 2 and table 9). NTIA, through its agreements with NIST and NOAA Grants Offices to provide grant management services, has instituted a process to review quarterly grantee financial reporting, to determine if proportional match spending requirements are being met. As part of this process, NTIA can recommend that the Grants Office waive proportionality requirements if the grantee has a plan in place to meet match requirement in the following reporting period. Causes for match proportionality waivers include (1) PCC and SBA grantees making large equipment and supplies purchases with federal funds at the beginning of the award but providing staff salaries and training as in-kind match throughout the award, and (2) CCI projects using federal funds early in the award to pay for environmental assessments and/or equipment purchased but providing other construction expenditures later in the award period as their match.

---

<sup>15</sup> U.S. Department of Commerce, March 2008. *Financial Assistance Standard Terms and Conditions*, section A.03.b. Washington, D.C.: Department of Commerce.

Figure 2. Status of Grant Recipients in Meeting Their Match Requirement, for the Reporting Period That Ended December 31, 2011



Source: OIG based on NTIA data

Table 9. Grantees That Are Behind Schedule with Their Match

Award Type	# of Awards	December 31, 2011, Match Required	December 31, 2011, Match Provided	Difference	Percentage Difference
CCI	19	\$78,113,301	\$41,831,046	\$36,282,255	46%
PCC	19	12,591,785	7,563,694	5,028,091	40%
SBA	11	23,893,476	14,492,073	9,401,403	39%
Total	49	\$114,598,562	\$63,886,813	\$50,711,749	44%

Source: OIG based on NTIA data

Although match proportionality waivers decreased from 72 for the quarter that ended on March 31, 2011, the number of grant recipients that were not in compliance with proportionality clauses was significant. As of March 31, 2012, 3 (12 percent) of the 25 grantees in our sample did not provide matching share proportionate to grant-fund expenditures, with an overall shortage of close to \$2 million, and only 2 of these 3 grantees had written proportionality waivers.

### Recommendation

We recommend that the Assistant Secretary for Communications and Information:

1. Work with NIST and NOAA grants officers to provide NTIA with the BTOP grantees' quarterly financial status reports and monitor the contribution trends and proportionality waiver activity to ensure grantees are providing their required match.

### Other Issues

On February 11, 2011, the OIG received a complaint on Clackamas County, Oregon, BTOP grant match and several technical issues. We referred the technical issues to NTIA for resolution using a new NTIA complaint resolution process. On December 5, 2011, NTIA responded to the complaint's technical issues by stating that the BTOP award is a final agency

decision that is not subject to third-party appeal, and after reviewing the facts, NTIA declined to recommend corrective actions on the Clackamas award. These technical issues were outside the scope of this audit, and, therefore, we did not specifically analyze NTIA's review or their conclusions in conducting our fieldwork and forming our findings and recommendations relating to NTIA's oversight of grant match.

We reviewed the Clackamas County, Oregon, BTOP grant with a proposed \$3,344,649 match. To obtain evidence on the Clackamas County match, we

1. reviewed the Clackamas County BTOP grant file, including the proposal and grant award, and discussed the grant match with the NOAA grants officer and the NTIA FPO for the grant,
2. met with Clackamas County financial and program officials for the BTOP grant to discuss matching share budgeted line items and the role of match in the BTOP approved project,
3. analyzed supporting documentation for the reasonableness of the Clackamas County BTOP grant match, including third-party valuation of the right-of-way and pole fees by two municipalities and the Portland, Oregon, General Electric Company,
4. examined the NTIA BTOP match matrix review process to determine if NTIA identified all sources of match to be contributed and if the total amount of the proposed match changed from the original approved budget, and
5. reviewed federal cost principles and the NTIA BTOP Notice of Funds Availability to determine the allowability and allocability of the proposed and contributed match.

We concluded that the types of match proposed were allowable under federal cost principles and the BTOP Notice of Funds Availability and that the valuation of the proposed match amount was reasonable.

# Summary of Agency Response and OIG Comments

In response to our draft report, the Assistant Secretary for Communications and Information stated that NTIA is taking appropriate action to address our recommendations. The response also summarized the steps NTIA has implemented and will take to address the recommendations.

OIG met with NTIA officials after issuing the draft report. We have made slight modifications to the report based on constructive comments and subsequent information NTIA provided at that meeting. Also, we have updated tables and figures to reflect current information.

NTIA has responded that they have taken steps to strengthen its oversight of BTOP recipients' match, and we encourage NTIA to continue its efforts. We look forward to reviewing NTIA's action plan, which addresses our concerns in greater detail.

# Appendix A: Objectives, Scope, and Methodology

We initiated this audit in April 2011 as part of our continuing oversight of NTIA's Broadband Technology Opportunities Program (BTOP). The objectives of our audit were to (1) determine whether NTIA has processes in place to ensure BTOP matching share contributed by grantees meets the terms and conditions of the award, (2) assess how NTIA monitors the grantees' match throughout the grant award period, and (3) review how NTIA and grants officers address grantees' postaward requests for changes in type of match (e.g., cash, equipment, or in-kind contributions) and changes in subrecipients or other partners that agreed during the application process to provide matching share. Fieldwork was completed between April 2011 and February 2012.

NTIA has a process in place to monitor grant recipients' match throughout the award, including the postaward period. The process includes developing a match review process, monitoring cash drawdowns, reviewing grantees' quarterly financial reports for matching share, and documenting proportionality waivers for grantees behind on their quarterly match proportionality rate.

To meet our objectives, we reviewed BTOP compliance with laws, regulations, policies, and procedures, including

- the American Recovery and Reinvestment Act of 2009,
- the July 9, 2009, and January 22, 2010, Notice of Funds Availability for the Broadband Initiative Program and BTOP,
- Department of Commerce Grants Manual,
- Department of Commerce financial assistance standard terms and conditions and BTOP special terms and conditions for grantee match,
- Office of Management and Budget circulars and federal cost principles that were terms and conditions of the BTOP grant awards,
- BTOP's *Recipient Handbook* FY 2010, and
- BTOP's *Recipient and Third-Party In-kind Contributions Fact Sheet*, February 2011.

To gain an understanding of internal controls and assess how NTIA monitors the grantees' match throughout the grant period, we interviewed pertinent staff, including

- NTIA compliance officials and BTOP federal program officers,
- NIST and NOAA grants management personnel, and
- grantee financial and program personnel contacted by telephone for a random sample of 25 grantees selected proportional to population and in-person for Clackamas County, Oregon to obtain supporting documentation for their nonfederal match and how the match met federal cost principles and BTOP program requirements.

To review how NTIA and grants officers address grantees' postaward requests for changes in type of match (e.g., cash, equipment, or in-kind contributions) and changes in subrecipients or other partners that agreed during the application process to provide matching share, we selected a random sample of 25 grantees, described in more detail in appendix B. We tested the sample of 25 grantees' matching share by several means, including

- comparing the amount, type, and budget line items for grantee match proposed in the BTOP application with the amount, type, and budget line item of grantee match reported in the grantees' grant file in the NOAA Grants Online or the NIST Grants Management Information System,
- obtaining and reviewing the BTOP match matrix review used by BTOP federal program officers to confirm the amount, type, and budget line item of grantee match,
- tracing the grantees' match from the NIST and NOAA grant files to the grantees' most recent financial status reports (SF 424, 425) and then to the grantees' general ledger and obtaining and reviewing supporting documentation for a sample of the grantees' match,
- reviewing BTOP grantee proportionality match waiver statistics for our sample, and
- comparing the grantees' BTOP grant award amount with the grantees' major program for their most recent audit on file with the Census Federal Audit Clearinghouse to determine the likelihood that grantee match would be audited as part of a major program.

In addition to the random sample, we reviewed the grantee match for the BTOP CCI grant awarded to Clackamas County, Oregon. This grant was selected for review based on a complaint received by the Inspector General. The complaint is discussed in the Other Issues section of the findings.

In testing for BTOP oversight of grantees' match, we relied on the assessment completed for our November 2011 report, *NTIA Has an Established Foundation to Oversee BTOP Awards, But Better Execution of Monitoring Is Needed*, where we assessed the reliability of the NOAA Grants Online and NIST Grants Management Information System by interviewing officials knowledgeable about the systems and their data and reviewing related reports. Also, we tested

the accuracy and reliability of grantees' reported results in the systems with the grantees' financial management system and related source documents for cash, in-kind, and subrecipient match. We determined that the data were sufficiently reliable for the purposes of this report.

We performed our work in accordance with generally accepted government auditing standards. These standards require that we plan and perform our audit to obtain sufficient, appropriate evidence that provides a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted our review from April 2011 through February 2012 under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13. We performed our work at the Department of Commerce headquarters and NTIA offices in Washington, D.C.; at NIST in Gaithersburg, Maryland; at NOAA in Silver Spring, Maryland; and in Oregon City, Clackamas County, Oregon.

## Appendix B: OIG Sample Methodology

To review how NTIA and grants officers address grantees' postaward requests for changes in type of match (e.g., cash, equipment, or in-kind contributions) and changes in subrecipients or other partners that agreed during the application process to provide matching share, we selected a random sample of 25 grantees.

The proportionate stratified sample of 25 grantees assured representation of the three sub-populations of BTOP grantees (CCI, PCC, and SBA), minimized margin of error, and permitted the team to estimate sample results for the population of 228 BTOP grantees. Table 10 breaks the BTOP grantee population into three strata. Table 11 provides a breakdown of BTOP grants included in the sample tested by OIG, and table 12 provides the detailed results of the sample.

**Table 10. BTOP Grant Awards Federal and Matching Funds<sup>a</sup>**

Project Type	Awards	Federal Funds	% of Total	Recipient Match	Total Project Cost
CCI	120	\$3,358,774,652	88	\$1,198,699,569	\$4,557,474,221
PCC	65	199,244,164	5	85,023,612	284,267,776
SBA	43	249,525,540	7	106,642,208	356,167,748
Total	228	\$3,807,544,356	100	\$1,390,365,389	\$5,197,909,745

Source: OIG based on NTIA data

<sup>a</sup>See footnote 5.

**Table 11. OIG BTOP Grant Test Sample Federal and Matching Funds**

Project Type	Awards	Federal Funds	% Population Category	Recipient Match	Total Project Cost
CCI	13	\$275,130,900	8	\$ 90,067,119	\$365,198,019
PCC	7	11,442,712	6	5,242,551	16,685,263
SBA	5	13,951,475	6	6,343,617	20,295,092
Total	25	\$300,525,087	20	\$101,653,287	\$402,178,374

Source: OIG based on NTIA data

From the time of our sample selection until the completion of our audit, the number of SBA grantees was reduced from 44 to 43 by the deobligation of funds for the grant awarded to the City of Tallahassee, Florida.



Table 12. OIG Sample Results<sup>16</sup>

Type	Recipient in OIG Sample	Federal Award Dollars Obligated	Matching Share	Total Award	Changes in Matching Share Line Items	\$ Match Tested	Allowable, Allocable, and Reasonable Costs	Proportionality Waiver	Quarter I 2012 Proportionality Variance (\$)
SBA	SBA Grantee 1	\$ 6,856,399	\$ 3,134,876	\$ 9,991,275		\$ 1,018,051	Yes	N/A	\$ -
SBA	SBA Grantee 2	1,457,488	556,929	2,014,417		255,103	No	N/A	-
SBA	SBA Grantee 3	2,131,322	699,324	2,830,646		53,052	No	Yes	110,420
SBA	SBA Grantee 4	980,591	728,351	1,708,942		238,824	Yes	N/A	
SBA	SBA Grantee 5	2,525,675	1,224,137	3,749,812		479,784	Yes	N/A	
PCC	PCC Grantee 1	698,924	541,144	1,240,068		222,385	Yes	N/A	
PCC	PCC Grantee 2	1,477,722	410,399	1,888,121		20,800	Yes	Yes	109,074
PCC	PCC Grantee 3	4,680,963	2,236,060	6,917,023		1,186,800	Yes	N/A	
PCC	PCC Grantee 4	1,829,473	867,231	2,696,704		193,339	Yes	N/A	9,837
PCC	PCC Grantee 5	536,737	230,030	766,767		206,926	Yes	Yes	
PCC	PCC Grantee 6	1,434,893	746,687	2,181,580		180,810	Yes	No	
PCC	PCC Grantee 7	784,000	211,000	995,000		17,201	Yes	N/A	-
CCI	CCI Grantee 1	22,698,010	13,522,526	36,220,536		4,117,293	Yes	No	1,768,050
CCI	CCI Grantee 2	9,604,840	4,701,924	14,306,764	20,496	577,592	No	N/A	-
CCI	CCI Grantee 3	11,252,066	5,350,633	16,602,699	156,782	898,753	Yes	N/A	-
CCI	CCI Grantee 4	3,201,760	814,104	4,015,864	441,039	236,548	Yes	N/A	
CCI	CCI Grantee 5	99,660,678	29,297,353	128,958,031	791,632	6,946,965	Yes	No	
CCI	CCI Grantee 6	8,325,530	2,113,505	10,439,035	32,050	99,849	Yes	N/A	
CCI	CCI Grantee 7	24,606,978	6,151,744	30,758,722		531,393	Yes	N/A	
CCI	CCI Grantee 8	11,547,866	4,949,086	16,496,952	322,814	1,008,021	Yes	No	
CCI	CCI Grantee 9	19,643,717	5,327,550	24,971,267		159,355	Yes	N/A	2,572
CCI	CCI Grantee 10	30,142,676	9,227,000	39,369,676		140,083	Yes	Yes	
CCI	CCI Grantee 11	1,648,941	412,235	2,061,176		21,461	Yes	N/A	200
CCI	CCI Grantee 12	27,257,838	6,814,459	34,072,297	337,079	1,556,106	Yes	N/A	
CCI	CCI Grantee 13	5,540,000	1,385,000	6,925,000		312,766	Yes	N/A	-
	Total	\$ 300,525,087	\$ 101,653,287	\$ 402,178,374	\$ 2,101,892	\$ 20,679,259			\$ 2,000,153

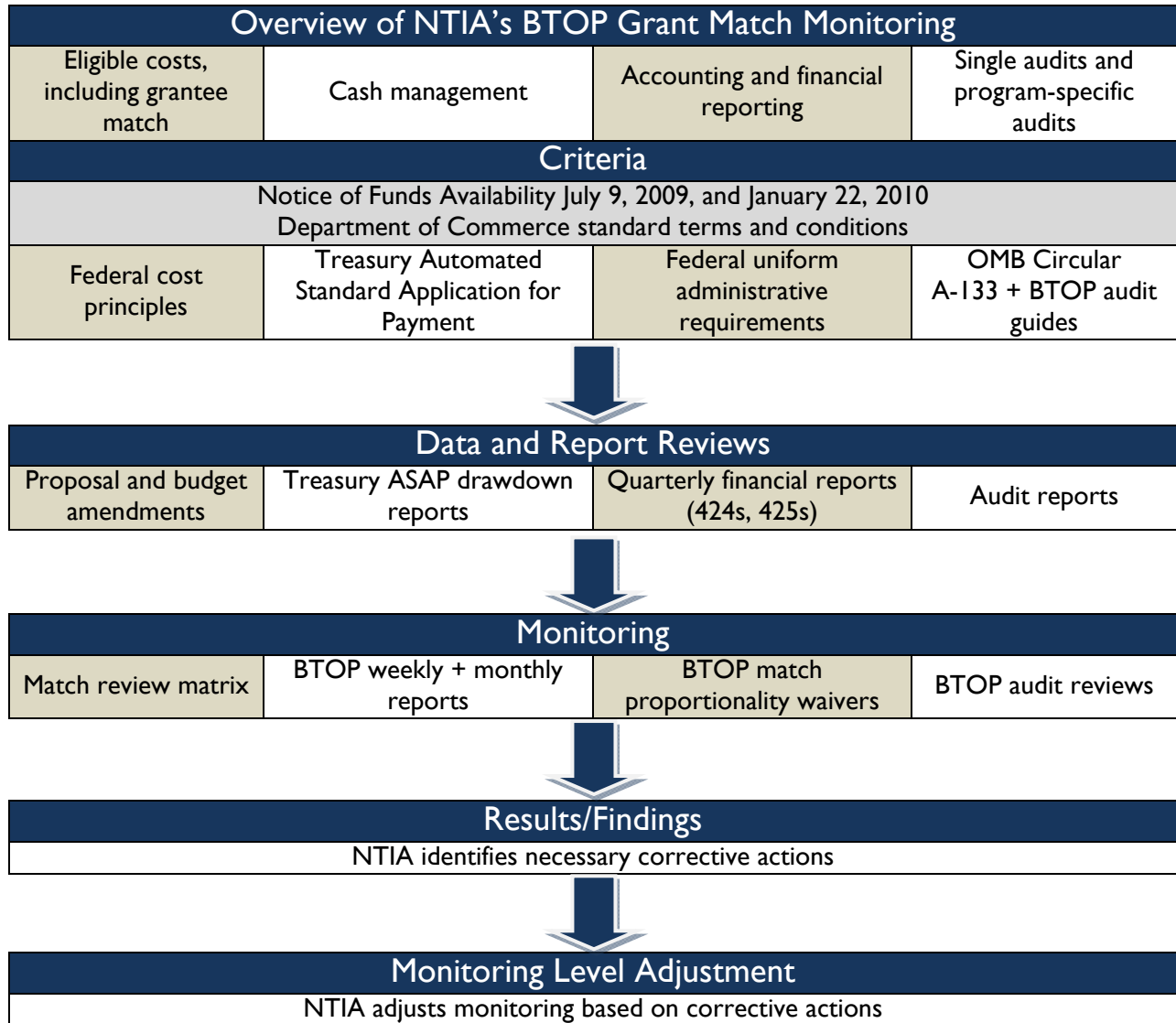
<sup>16</sup> **Changes in Matching Share Line Items** are discussed in finding I.

**\$ Match Tested** represents the total amount of recipient match tested to determine compliance with BTOP award conditions and federal cost principles.

The costs that did not comply, as noted in the **Allowable, Allocable, and Reasonable Costs** column, were immaterial.

The data in the last two columns—**Proportionality Waiver** and **Quarter I 2012 Proportionality Variance (\$)**—are a subset of the data discussed in finding IV.

# Appendix C: NTIA’s Criteria, Data, and Report Review of BTOP Grant Match



Source: OIG chart based on NTIA data

## Appendix D: Agency Response



**UNITED STATES DEPARTMENT OF COMMERCE**  
**The Assistant Secretary for Communications**  
**and Information**  
Washington, D.C. 20230

JUN 6 2012

The Honorable Todd J. Zinser  
Inspector General  
United States Department of Commerce  
1401 Constitution Avenue, N.W.  
Washington, D.C. 20230

Dear Mr. Zinser:

This letter is in reply to your May 3, 2012 draft report, *NTIA Needs Stronger Monitoring of BTOP Grant Recipients' Match* (Draft Report). The National Telecommunications and Information Administration's (NTIA's) monitoring processes and tools serve a valuable function of the agency's oversight of the Broadband Technology Opportunities Program (BTOP), a \$4 billion grant program authorized by the American Recovery and Reinvestment Act of 2009 (Recovery Act). I appreciate that your office recognizes that NTIA has established comprehensive processes to assess and monitor recipients' BTOP matching share contributions. As detailed below, we are taking appropriate action to address the recommendations described in the Draft Report.

As you have noted in previous reports, NTIA has implemented a rigorous monitoring and oversight plan for BTOP grants. NTIA's regular monitoring includes multiple reviews for recipients' adherence to their matching share requirements, including cash drawdown monitoring, performance report reviews, risk assessment analysis, and site visit feedback. In addition to its monitoring, NTIA has provided recipients with various forms of guidance regarding the BTOP matching share requirement. This guidance ranges from the BTOP Recipient Handbook and fact sheets, which are readily available on the BTOP website, to compliance training at recipient workshops. All of these activities serve as internal oversight controls above and beyond what the National Oceanic and Atmospheric Administration (NOAA) and National Institute of Standards and Technology (NIST) Grants Offices provide to ensure that recipients expend funds at an appropriate rate and meet their matching requirements.

In addition to our comprehensive day-to-day monitoring, NTIA instituted a process in December 2010 to thoroughly review a recipient's matching share contribution. Through this process, NTIA reviews and analyzes the allowability, consideration, source, consistency, and valuation of each recipient's proposed cash and in-kind match sources. NTIA documents results of these reviews in a match matrix, which allows NTIA to better monitor recipient match proportionality and validate compliance with award requirements to provide matching share. Given our limited program resources, NTIA has applied this match review process to those grants representing the greatest programmatic risk. NTIA selected 161 projects, which represent approximately 72 percent of the BTOP portfolio and 95 percent of award funds, to conduct a thorough match review analysis and match share verification. NTIA appreciates that OIG has recognized our match review process as a best practice.

Nonetheless, we can always do better and we are taking seriously your suggestions on ways to improve the administration of NTIA's oversight and monitoring of the BTOP portfolio. We recognize the importance of your recommendations and, as I outline below, we are taking immediate steps to address each of them.

### ***Strengthen Monitoring of PCC and SBA Match Amounts***

As the Draft Report notes, NTIA's match matrix process has been an effective tool to help us assess whether BTOP recipients are meeting federal match requirements and cost principles. Through March 2012, NTIA and recipients worked together to finalize match reviews for 147 projects or 91 percent of the 161 selected projects. The finalized reviews account for 71 percent of award funds, including a significant percentage of the BTOP Public Computer Centers (PCC) and Sustainable Broadband Adoption (SBA) awards. However, the Draft Report recommends that NTIA expand our match review process to a larger percentage of PCC and SBA recipients, as well as review specific budget line item details.

NTIA and the NIST Grants Office reviewed the allowability of recipients' proposed in-kind match prior to awarding any PCC or SBA grants. Moreover, the NIST Grants Office requires recipients to amend their budgets, if they make a change to any of their match sources. At that time, NTIA and NIST review proposed changes in detail and will continue to follow this established process to review specific budget line item details. In line with your recommendation, however, NTIA will increase the number of match reviews for PCC and SBA projects to a larger percentage of recipients by expanding the initial risk profile to PCC and SBA awards over \$3 million.

### ***Continue to Bolster Recipient Internal Controls for Cash Drawdowns***

The Draft Report recommends that NTIA formally communicate the risk associated with third-party cash drawdowns to all recipients and stress the importance of increased monitoring when allowing third parties to draw down grant funds from the Treasury Automated Standard Application for Payment (ASAP) system. NTIA worked closely with the Department of Commerce Office of General Counsel Federal Assistance Law Division to determine whether allowing third party drawdowns would be appropriate in limited circumstances. For example, it may be appropriate to allow third parties to have access to a recipient's ASAP account, when a parent company provides all accounting and financial services to a subsidiary company that has a BTOP grant. As a result, in February 2012, NTIA advised recipients to limit ASAP access to staff directly within their organizations and not allow subrecipients, vendors, or contractors access to directly draw down funds. NTIA also noted that if recipients had unique circumstances that might justify allowing others direct access to ASAP, they should consult with their Federal Program Officer (FPO).

The Draft Report also recommends that NTIA implement program office controls to closely monitor ASAP drawdowns on a timely basis, especially for recipients that have appropriately



delegated ASAP system access to third parties. As noted in the Draft Report, NTIA has an established process for reviewing and monitoring ASAP drawdowns on a weekly and monthly basis. Because NTIA does not have direct access to ASAP, we worked closely with the NIST and NOAA Grants Offices to evaluate which individuals have access to each recipient's ASAP account. As a result of this review, NTIA advised a few recipients to change the personnel that have access to ASAP. Although the current review process remains an effective monitoring tool, NTIA will monitor more closely the recipients that have been identified as having delegated ASAP systems access to third parties in order to reduce the risk of a drawdown being used for unauthorized purposes.

### ***Continue to Improve Recipient Match Recordkeeping***

The Draft Report recommends that NTIA: 1) add a process to its site visits to verify recipient match source documentation; 2) communicate to recipients that they must support match expenditures and must correctly reflect them in their grantee financial records; and 3) respond to match questions in recipients' quarterly financial reports. NTIA agrees with these recommendations. Effective February 2012, NTIA modified portions of the BTOP Site Visit Checklist to include a list of "Required Documents" that recipients should be prepared to make available to their FPO. This modified checklist includes additional guidance for recipients specifically relating to the importance of match valuation and to maintaining the required supporting documentation for any claimed match. In May 2012, to further emphasize the importance of properly recording match in financial records, NTIA compliance staff informed BTOP recipients at a recipient conference that they must record all matching share contributions in their books, and they must have records and verifiable documentation to support those entries.

### ***Develop Strategy for Ensuring Proportionate Recipient Match Contributions***

The Draft Report recommends that NTIA work with the NIST and NOAA grant officers to obtain BTOP recipients' quarterly financial status reports and monitor the contribution trends and proportionality waiver activity to ensure recipients are providing their required match. NTIA agrees with the recommendation and we will continue to collaborate closely with the NOAA and NIST Grants Offices on these issues. In addition to working with the NOAA and NIST Grants Offices to assess whether BTOP recipients are expending funds proportionately, NTIA conducts a thorough review of each recipient's match, as recorded in their quarterly financial reports. Specifically, NTIA assesses whether BTOP recipients are contributing their match in proportion to their federal expenditures. If we discover any match proportionality issues, NTIA will follow up directly with recipients during regular monitoring calls and scheduled site visits to resolve the issues. If recipients request a temporary waiver of the proportionality requirement, NTIA works closely with the recipients to ensure they have a plan for returning to compliance with this requirement.

I look forward to continuing to work with you as NTIA carries out this important program to expand broadband access and adoption in the United States, create jobs, and lay a new foundation for economic growth in America. If NTIA may be of further assistance, please contact Milton Brown, NTIA's Liaison to the OIG, at (202) 482-1853.

Sincerely,



Lawrence E. Strickling

cc: Ann Eilers, Principal Assistant Inspector General for Audit and Evaluation  
Anthony Wilhelm, Deputy Associate Administrator, Office of Telecommunications and Information Application, NTIA  
Milton Brown, NTIA Audit Liaison  
John Bunting, Senior Auditor, Recovery Act Task Force, OIG  
Chris Rose, Senior Auditor, Recovery Act Task Force, OIG  
Aimee Meacham, Director of BTOP Program Services, NTIA

BTOP000124